

## Message Text

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63

ACTION ARA-10

INFO OCT-01 AF-06 EUR-12 EA-06 NEA-09 ISO-00 FEA-01

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

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TRSE-00 FRB-03 IGA-01 XMB-02 /127 W

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AMEMBASSY LAGOS

AMEMBASSY LIMA

AMEMBASSY LONDON

AMEMBASSY MEXICO

AMEMBASSY PORT OF SPAIN

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

AMCONSUL DHAHRAN

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: ENRG, VE

SUBJECT: NEW VENEZUELAN PRODUCTION AND RESERVE ESTIMATES

REF: CARACAS 4785

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BEGIN SUMMARY. THE FIRST-DAY AGENDA OF THE ANNUAL CONVENTION

OF THE NATIONAL BUSINESS AND INDUSTRY ASSOCIATION (FEDECAMARAS) WAS DEVOTED TO OIL TOPICS. GOV MINISTERS OF FINANCE MINES AND HYDROCARBONS DELIVERED IMPORTANT STATEMENTS AS TO OIL PRODUCTION LEVELS FOR 1976 AND PRODUCTION AND RESERVE ESTIMATES FOR THE ORINOCO TAR BELT. ANOTHER SOURCE REPORTS THAT THE TWO MINISTRIES HAVE NOT AS YET COORDINATED THEIR ESTIMATES. END SUMMARY.

1. MINISTER OF FINANCE HECTOR HURTADO TOLD THE FEDECAMARAS ASSEMBLY ON MAY 5 THAT VENEZUELAN PETROLEUM PRODUCTION WILL BE REDUCED TO 2.2 MILLION B/D IN 1976, OR AN ADDITIONAL 400,000 B/D REDUCTION BELOW THAT OF 1975. HURTADO SAID THAT HIS MINISTRY, TOGETHER WITH MINES AND HYDROCARBONS, WILL FIX THE 1976 PRODUCTION POLICY NEXT MONTH.

2. HURTADO'S STATEMENT SIGNALS ANOTHER DEBATE BETWEEN TECHNICIANS OF THE MINISTRIES OF FINANCE AND MINES AND HYDROCARBONS, SINCE IT APPARENTLY WAS NOT CLEARED WITH MINES AND HYDROCARBONS. FINANCE HAS BEEN TAKING A HARDLINE APPROACH IN PETROLEUM POLICY MATTERS WITH THE INTENTION OF MAXIMIZING REVENUES FROM THIS SOURCE, WHILE MINES AND HYDROCARBONS HAS GENERALLY BEEN CONSCIOUS OF VENEZUELA'S DELICATE COMPETITIVE SITUATION IN THE WORLD OIL MARKET, AND HAS OPTED FOR LESSER OIL TAX INCREASES. IN BOTH THE JANUARY 1975 AND OCTOBER 1974 OIL COMPANY TAX RATE INCREASES, FINANCE REPORTEDLY INSISTED UPON HIGHER RATES THAN MINES AND HYDROCARBONS, WITH PRESIDENT PEREX ULTIMATELY HAVING TO CHOOSE A COMPROMISE SOLUTION.

3. A SENIOR MINES OFFICIAL, ASKED TO COMMENT ON HURTADO'S ESTIMATE, STATED THAT HIS MINISTRY CONSIDERS THE CURRENT PRODUCTION LEVEL (BETWEEN 2.5 AND 2.4 MILLION B/D) TO BE THE "OPTIMUM" THAT SHOULD BE MAINTAINED. IT IS BASED ON A TECHNICALLY BALANCED COMBINATION OF PRODUCTION AND GAS CONSERVATION. ASSUMING NO NEW OIL PRODUCTION, THE MINISTRY OF MINES AND HYDROCARBONS ESTIMATES THAT EXISTING OIL RESERVOIRS HAVE A DEPLETION RATE OF 4 PER CENT ANNUALLY. THUS, THE MINES MINISTRY ESTIMATES THAT PRODUCTION, ASSUMING A 1975 AVERAGE OF 2.4 MILLION B/D, SHOULD STILL BE OVER 2 MILLION B/D OVER THE NEXT FIVE YEARS.

4. MINES MINISTER VALENTIN HERNANDEZ CONCENTRATED ON AN EXPLANATION OF GOV OIL CONSERVATION POLICY TO THE FEDECAMARAS LIMITED OFFICIAL USE

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ASSEMBLY, AND DID NOT SPECULATE ON FUTURE PRODUCTION LEVELS. VENEZUELA ACHIEVED A REDUCTION OF FLARED GASES FROM AN AVERAGE OF 518 TO 420 CUBIC FEET PER BARREL OF OIL PRODUCED. BY APPLYING STRICT CONSERVATION MEASURES, THIS FIGURE WAS REDUCED TO 202 CUBIC FEET PER BARREL AS OF THE BEGINNING OF MAY 1975. HE DESCRIBED THIS AS A SAVING EQUIVALENT TO 77,000 B/D OF OIL. CONSERVATION MEASURES WILL BE FURTHER TIGHTENED THIS YEAR, THE MINISTER ANNOUNCED, TO REACH A GOAL OF 98 PER CENT RECOVERY OF GAS.

5. MINISTER HERNANDEZ ALSO ANNOUNCED THAT THE NATIONAL ENERGY COUNCIL HAS BEEN REORGANIZED AND THAT A NEW ENERGY POLICY WAS APPROVED BY THE COUNCIL OF MINISTERS ON APRIL 29, 1975. GOALS UNDER THE NEW POLICY WILL INCLUDE 1) REPLACEMENT OF NATURAL GAS BY HEAVY FUEL OIL TO EXTENT POSSIBLE AS FUEL FOR MAJOR ELECTRICAL POWER GENERATION INSTALLATIONS; 2) RE-ALLOCATION OF PART OF NATURAL GAS TO INTERIOR CITIES VIA A PIPELINE SYSTEM FOR DOMESTIC, COMMERCIAL AND SMALL INDUSTRY USAGE, WITH BOTTLED LPG DESTINED FOR ISOLATED COMMUNITIES NOT CONNECTED TO THE GAS NETWORK; 3) REVISION OF PRICE STRUCTURE OF THE VARIOUS ENERGY MATERIALS AS A MEANS OF RATIONALIZING THEIR UTILIZATION; AND 4) IN THE EVENT THAT CURRENT ADEQUATE SUPPLY OF ASSOCIATED GAS FALLS SHORT OF QUANTITY NEEDED TO EFFECT SECONDARY PETROLEUM RECOVERY, THEN IT WILL BE SUPPLEMENTED WITH WATER INJECTION. THE USE OF WATER FOR SECONDARY RECOVERY WILL ALSO BE INCREASED AS AND WHEN MORE GAS IS NEEDED FOR PETROCHEMICAL PURPOSES. THE PLAN IS TO UTILIZE UP TO 50 PER CENT OF ASSOCIATED GAS FOR PETROCHEMICALS AND THE OTHER HALF TO OPTIMIZE OIL PRODUCTION.

6. COMMENTING ON THE ORINOCO TAR BELT RESERVES, MINISTER HERNANDEZ SAID THAT THEY FAR EXCEED THE ESTIMATED VOLUME OF 700 BILLION BARRELS. HE CALCULATED THAT WITH A RECOVERY FACTOR OF ONLY FIVE PER CENT, VENEZUELA CAN BECOME THE COUNTRY WITH THE HIGHEST TESTED OIL RESERVES, REPLACING SAUDI ARABIA, WHOSE RESERVES HE ESTIMATED AT 140 BILLION BARRELS.  
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